

BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF CALIFORNIA



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In the Matter of the Application of Southern
California Edison Company (U 338-E) for
Approval of Greenhouse Gas Cap-and-Trade
Program Cost and Revenue Allocation.

And Related Matters.

Application No. 13-08-002
(Filed August 1, 2013)

Application No. 13-08-003

Application No. 13-08-005

Application No. 13-08-007

Application No. 13-08-008

**OPENING BRIEF
OF THE OFFICE OF RATEPAYER ADVOCATES**

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October 30, 2013

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I. INTRODUCTION

Pursuant to Rule 7.2 of the California Public Utilities Commission's ("Commission") Rules of Practice and Procedure, the September 5, 2013 *Administrative Law Judge's Ruling Consolidating Related Proceedings, Setting a Prehearing Conference, and Requiring Parties to Submit Prehearing Conference Statement and Supplemental Information* ("September 5 ALJ Ruling"), and the September 30, 2013 *Assigned Commissioner's and Administrative Law Judge's Scoping Memo and Ruling* ("Scoping Memo"), the Office of Ratepayer Advocates ("ORA")¹ submits the following opening brief.²

¹ The Division of Ratepayer Advocates was renamed the Office of Ratepayer Advocates effective September 26, 2013, pursuant to Senate Bill No. 96 (Budget Act of 2013: public resources), which was approved by the Governor on September 26, 2013.

² Application (A.) 13-08-002, A.13-08-003, A.13-08-005, A.13-08-007, A.13-08-008,
(continued on next page)

The September 5 ALJ Ruling consolidated the following proceedings: Application (“A.”) 13-08-002, A.13-08-003, A.13-08-005, A.13-08-007, and A.13-08-008 (“Consolidated Proceeding”). The September 5 ALJ Ruling provided parties the opportunity to file prehearing conference (“PHC”) statements on September 18, 2013 and proposed to separate the Consolidated Proceeding into two phases. In Phase 1, the Commission will review the reasonableness of the forecasts necessary to set rates and issue the climate dividend in 2014, and in Phase 2, the Commission will address other issues identified in Decision (“D.”) 12-12-033, including methodologies to be used going forward for determining forecast and actual greenhouse gas (“GHG”) costs and revenues and truing-up of those GHG costs and revenues.

II. DISCUSSION

Phase 1 of this Consolidated Proceeding is limited to information and approvals necessary to incorporate GHG costs and revenues into 2014 rates and to issue the first Climate Dividend. For Phase 1, parties were to rely on methodologies determined in Rulemaking (“R.”) 11-03-012 and assess whether the use of those methodologies by the utilities in their 2014 GHG Revenue Forecasts applications produced reasonable results. For the most part, ORA found that the three large Investor Owned Utilities’ (“IOUs”) GHG forecasts were reasonable. ORA submitted Testimony on the utilities Applications in this Consolidated Proceeding (“ORA Testimony”), detailing its review of the GHG forecasts in both this Consolidated Proceeding and the IOUs’ Energy Resource Recovery Account (“ERRA”) proceedings.³ ORA’s brief covers the GHG forecasts and issues that

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Administrative Law Judge’s Ruling Consolidating Related Proceedings, Setting a Prehearing Conference, and Requiring Parties to Submit Prehearing Conference Statement and Supplemental Information, p. 3 (Sept. 5, 2013) [hereinafter “September 5, 2013 ALJ Ruling”]; *Assigned Commissioner’s and Administrative Law Judge’s Scoping Memo and Ruling*, p. 3 (Sept. 30, 2013) [hereinafter “Scoping Memo”].

³ ORA Testimony, pp. 6-1 to 6-2.

ORA has identified concerns with and specific recommendations in response to the ALJ questions in the September 5 ALJ Ruling.

A. If Southern California Edison Company's actual 2012 GHG costs are not included in its 2014 forecast GHG revenue return calculations, ORA recommends that the Commission order SCE to account for 2012 GHG costs in the calculation of its 2014 GHG revenue return amounts for eligible customers.

In its Testimony, ORA noticed that Southern California Edison Company ("SCE") is seeking recovery of 2012 GHG costs resulting from SCE's procurement in the California Air Resources Board's ("CARB") November 2012 auction, in its 2012 ERRA Compliance Application.⁴ ORA objects to SCE recovering any GHG costs before the return of GHG revenue to eligible customer classes, per the directive in D.12-12-033 not to allocate GHG costs to ratepayers until the GHG revenue allocation methodology is implemented and GHG revenues are provided to eligible customer classes. ORA has also raised this concern in SCE's 2012 ERRA Compliance Application proceeding, Application ("A.") 13-04-001.⁵ In this Consolidated Proceeding, the Commission should order SCE to account for 2012 GHG costs in the calculation of its 2014 GHG revenue return amounts for eligible customers.

SCE does not clarify this issue in its GHG Cost and Revenue Forecast and Reconciliation Reply Testimony ("SCE's Reply Testimony"). SCE states that D.12-12-033 did not authorize SCE to retroactively record actual costs incurred in

⁴ ORA Testimony, p. 2-2; A.13-04-001, SCE Energy Resource Recovery Account (ERRA) Review of Operations, 2012, Chapters IX-XVI, p. 113 (Apr. 2, 2013).

⁵ See *Testimony on Application of Southern California Edison Company (U338E) for a Commission Finding that its Procurement- Related and Other Operations for the Record Period January 1 Through December 31, 2012 Complied with its Adopted Procurement Plan; for Verification of its Entries in the Energy Resource Recovery Account and Other Regulatory Accounts; and for Recovery of \$4.998 Million Recorded in Six Memorandum Accounts*, pp. 4-7 to 4-8 (Oct. 25, 2013).

2012 in its GHG cost sub-account.⁶ SCE also states that D.12-12-033 required that deferred costs recorded in the GHG sub-account be based on 2013 GHG *forecasts* approved in the future ERRA proceeding.⁷ Therefore, SCE concludes that it properly calculated its 2014 forecast GHG revenue returns by utilizing the 2013 and 2014 GHG cost and revenue forecasts.⁸

SCE explains that its 2012 GHG costs from the November 2012 CARB auction are included in its 2013 ERRA Forecast Application because SCE will incorporate actual 2012 GHG cost amounts as part of the latest under- or over-collected balance in the ERRA balancing account upon receipt of a Commission decision in SCE's 2013 ERRA Forecast Application, A. 13-04-001.⁹ Although the 2012 GHG costs would be included in SCE's 2013 ERRA Forecast Application because they will be part of the under- or over-collected balance in the ERRA balancing account, it is not clear how or if actual 2012 GHG costs will be factored into the GHG revenue return amounts if those costs are not being tracked in SCE's GHG sub-account. If SCE's actual 2012 GHG costs are not included in SCE's 2014 forecast GHG revenue return calculations, ORA recommends that the Commission order SCE to incorporate those 2012 GHG costs in order to calculate accurate 2014 GHG revenue return amounts to eligible customers.

⁶ *GHG Cost and Revenue Forecast and Reconciliation Reply Testimony of Southern California Edison Company*, p. 2 (Oct. 16, 2013) [hereinafter "SCE Reply Testimony"].

⁷ SCE Reply Testimony, p. 3.

⁸ *Id.*

⁹ *Id.*

B. ORA does not oppose San Diego Gas & Electric Company's recommendation to not update its 2013 GHG revenue forecast if its 2013 GHG costs are not updated, but this approach appears inconsistent with the other IOUs.

ORA's indicated that Pacific Gas and Electric Company ("PG&E") and SCE incorporated actual results from the November 2012, February 2013, and May 2013 CARB auctions in their 2013 GHG revenue forecasts, whereas San Diego Gas & Electric Company ("SDG&E") only incorporated actual results from the November 2012 CARB auction but not the February 2013 and May 2013 CARB auctions.¹⁰ ORA's Testimony recommends that SG&E update its 2013 GHG revenue forecast to incorporate the actual results from the February 2013 and May 2013 CARB auctions for the sake of accuracy and to ensure consistency among the IOUs' methodologies.¹¹ SDG&E acknowledges in Reply Testimony that including information from the February and May 2013 CARB auctions would produce more accurate GHG revenue forecast for 2013. However, SDG&E posits that using February and May 2013 auctions would also create an unneeded mismatch between GHG costs and revenues and create a larger inaccuracy that would need to be corrected in future years.¹² Therefore, SDG&E recommends that it should not update its GHG revenue forecast if GHG costs are not equally updated.¹³ ORA does not oppose SDG&E's recommendation but notes that the other IOUs have included actual information from the February and May 2013 CARB auctions.

¹⁰ ORA Testimony, pp. 2-4 to 2-5.

¹¹ *Id.* at p. 2-5.

¹² *Prepared Reply Testimony of David T. Barker San Diego Gas and Electric Company*, p. DTB-1 (Oct. 16, 2013) [hereinafter "SDG&E Reply Testimony"].

¹³ SDG&E Reply Testimony, p. DTB-1.

C. Pacific Gas and Electric Company did not provide sufficient information to determine whether its 2013 and 2014 GHG administrative costs are reasonable.

PG&E did not demonstrate that its proposed administrative costs in its 2014 GHG forecast are reasonable.¹⁴ Moreover, PG&E's rebuttal testimony does not provide the required justification to support its cost assumptions and show that its proposed costs are reasonable.¹⁵ The Commission should require PG&E to make a showing to report cost assumptions for its proposed expenditures before approving any administrative costs for PG&E.

ORA's testimony explained how PG&E did not explain many of the assumptions underlying its proposed cost forecast.¹⁶ Specifically, PG&E did not provide a reasonable explanation for its assumptions regarding a 5 percent increase in call volume,¹⁷ call frequency, or call length.¹⁸ In addition, PG&E failed to justify its projected \$1.99 per minute cost to handle customer inquiry in this proceeding. PG&E did not define what 2013 costs it used as a proxy to arrive at this figure,¹⁹ and improperly included total "Annual CCO spend," the total Contact Center Operations cost, rather than specifying incremental labor costs related to increased volume due to GHG-related inquiries.²⁰ Moreover, PG&E did not provide a breakdown of cost for customer service support, explained the components of customer service office support, or clarified why it needs additional customer service office support.²¹ PG&E did not explain why its current office space and personnel cannot accommodate customer calls regarding GHG, and seems to estimate its costs based on a steady monthly, rather than a fluctuating,

¹⁴ See generally ORA Testimony, pp. 3-1 to 3-4.

¹⁵ *Pacific Gas and Electric Company Greenhouse Gas Revenue Return Forecast Rebuttal Testimony*, pp. 1-5 (Oct. 16, 2013) [hereinafter "PG&E Rebuttal Testimony"].

¹⁶ ORA Testimony, pp. 3-1 to 3-4.

¹⁷ *Id.* at pp. 3-1 to 3-2.

¹⁸ *Id.* at p. 3-3.

¹⁹ *Id.* at p. 3-2 to 3-3.

²⁰ PG&E Rebuttal Testimony, p. 3.

call volume in its assumptions on GHG call costs, ignoring that the dividend is returned to customers on a semi-annual and not a monthly basis.²² Further, PG&E does consider Annual CCO Labor Costs in calculating \$100,000 in instructor led training but provides no basis for its “estimate” that it will take 60 minutes per service representative.²³ PG&E also admits that the specific contents of the training have not been finalized and are dependent on a final Commission Decision on the remaining aspects of the program.²⁴

PG&E states that it used its “SmartDay” program to estimate a 5 percent call volume increase and claims that this is a comparable proxy because it was a recent program that also required a high level of customer notification.²⁵ But the SmartDay program is a voluntary summer pricing option that is quite different from a semi-annual customer dividend, and PG&E provided no explanation as to why these different programs should have comparable call volumes. In fact, PG&E admits that “there are no good benchmarks upon which to estimate the costs for implementing this program.”²⁶

In response to the concerns outlined in ORA’s Testimony, PG&E’s explains in its Rebuttal Testimony that the only mitigating consideration for failing to justify its proposed costs is that ultimately the costs are subject to a two-way balancing account treatment and will be trued-up for actual costs incurred.²⁷ While this is significant, PG&E misses the point: its forecast should be premised upon a real plan based on reasonable facts. The Commission has an obligation to ensure rates are just and reasonable even when the underlying costs are contained

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²¹ PG&E Rebuttal Testimony, pp. 4–5.

²² ORA Testimony, p. 3-4.

²³ PG&E Rebuttal Testimony, pp. 4–5; *see also* ORA Testimony, p. 3-4.

²⁴ PG&E Rebuttal Testimony, p. 4.

²⁵ *Id.* at p. 2.

²⁶ *Id.*

²⁷ *Id.*

within a two-way balancing account.²⁸ Just because rates will ultimately reflect the actual administrative costs incurred by PG&E does not, in any way, indicate that those costs are reasonable, and does not excuse PG&E from providing a realistic 2014 GHG administrative cost forecast supported by a reasonable plan and detailed cost assumptions. PG&E's inability to justify its administrative costs indicates that PG&E is not ready to implement its administrative and customer obligations related to the GHG revenue return. Thus, to ensure that PG&E will meet the requirements of the GHG revenue return, ORA recommends that the Commission require PG&E to make a full showing explaining and justifying its costs assumptions, and that the Commission determine whether those assumptions and forecasted costs are reasonable before approving any 2014 GHG forecasted administrative costs for PG&E.

D. The IOUs should provide all supporting spreadsheets and calculations for any updates on GHG cost and revenue forecasts.

The Scoping Memo in this Consolidated Proceeding asks parties, “in the event that ERRA 2013 or 2014 forecasts are modified after issuance of the 2014 GHG Revenue Forecast Decision,” to determine whether “the utilities be required to adjust their calculation of 2014 or 2013 GHG costs and revenues, and the resulting Climate Dividend, after the issuance of the 2014 GHG Forecast Decision,” and if so, to describe what documentation or review should be required.²⁹ ORA proposed that if an IOU modifies its 2013 or 2014 GHG cost forecast in the ERRA forecast proceedings after the issuance of a decision in this Consolidated Proceeding, the IOUs should be required to adjust their calculation of (1) 2013 or 2014 GHG costs and revenues and (2) the resulting implications for GHG revenue return, in this Consolidated Proceeding.³⁰ ORA also proposed that

²⁸ Public Utilities Code, Section 451.

²⁹ Scoping Memo, p. 6.

³⁰ ORA Testimony pp. 7-1 to 7-2.

the IOUs should provide all supporting spreadsheets and calculations to incorporate the most recent recorded and/or forecast information in both proceedings and parties should have an opportunity to file a response to the updated GHG cost and revenue forecast in the applicable ERRA forecast proceeding or in this proceeding (depending on where those forecasts are approved).³¹

In SCE's Reply Testimony, SCE states that it plans to file supplemental testimony in mid-November 2013 to update its 2014 forecast of GHG costs and allowance revenue in both the ERRA proceeding A.13-08-004 (for GHG costs only) and in this Consolidated Proceeding (for GHG costs and revenues), based on new information available as the time for incorporating costs and revenues in rates approaches.³² In its supplemental testimony, SCE will provide all supporting spreadsheets and calculations to incorporate the most recent recorded and/or forecast information.³³

While this plan is sufficient for SCE, which filed its 2013 ERRA Forecast concurrently with its GHG Forecast Application on August 1, 2013, it is not clear from the other IOUs GHG applications and testimony how the timing of updates would work. Therefore, ORA maintains that if an IOU modifies its 2013 or 2014 GHG cost forecast in the ERRA forecast proceedings, the IOUs should be required to adjust their calculation of (1) 2013 or 2014 GHG costs and revenues, and (2) the resulting implications for GHG revenue return, in this Consolidated Proceeding. ORA recommends that all IOUs are required to provide all supporting spreadsheets and calculations to incorporate the most recent recorded and/or forecast information, as SCE indicates it will provide in supplemental testimony.

³¹ *Id.*

³² SCE Reply Testimony, p. 4.

³³ *Id.*

E. The IOUs should file a Tier 1 advice letter to implement all changes necessary to their tariffs and to update their proposed GHG revenue returns to reflect final Commission-authorized revenue return methodologies and formulas.

The Scoping Memo in this Consolidated Proceeding asks parties to determine the “actions [that] should be taken to coordinate the 2014 GHG Revenue Forecast Decision with other anticipated decisions in R.11-03-012, and decisions in the individual utility applications for 2014/2015 outreach plans.”³⁴ In its Testimony, ORA recommended the IOUs to file advice letters updating their 2014 GHG revenue return amounts, as required by these pending decisions.³⁵ SCE acknowledges in its Reply Testimony that pending decisions may require further updates to SCE’s 2014 GHG proposed revenue returns to reflect final Commission-authorized revenue return methodologies and formulas and states that in accordance with the Scoping Memo, and upon Commission approval of its Application in this Consolidated Proceeding, SCE will file a Tier 1 advice letter to implement all changes necessary to its tariffs.³⁶ ORA recommends that the Commission direct all three large IOUs to file Tier 1 advice letters that address any necessary tariff changes and updates to their 2014 GHG revenue return amounts that are required to reflect final Commission-authorized revenue return methodologies and formulas in R.11-03-012 and the utility applications for 2014/2015 outreach plans.

III. CONCLUSION

ORA respectfully requests that the Commission consider the recommendations in this opening brief and ORA’s Testimony addressing the IOUs’ GHG Applications.

³⁴ Scoping Memo, p. 7.

³⁵ ORA Testimony, p. 9-1.

³⁶ SCE Reply Testimony, pp. 4–5.

Respectfully submitted,

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